

Chapter - 06

COVID-19 IMPACT ON GLOBAL ECONOMY

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ABSTRACT

This report will examine the impact of COVID-19 pandemic on the global economic through different model and methods. Because of second wave of the pandemic and delayed in in recovery of the economy, this pandemic can led to permanent shock in accumulation of capital and its productivity. This indirect that the short term growth rate might be merely affected by the economic shock, but negatively effects the long term growth rate of economy from its pre-pandemic trend.

Keywords: *economic shock, capital accumulation and economic impacts.*

INTRODUCTION

In march 2020 the Interim Economic Outlook stated that the coronavirus (covid19) had effected the economic growth of China which caused a massive decline in their financial sector. After few weeks the virus started spreading to many other countries as well which caused the economic downfall in those effected country. Covid19 pandemic had high ranging and negative impact on the financial sectors, including stocks, bonds, and commodities (like crude oil and gold) market. Main incident includes a described Russia-Saudi Arabia oil price war, after which falling to reach an OPEC+ agreement resulted in a collapse of crude oil prices and the stock market crashed in march 2020. This effect on the market were the part of the covid19 recession and is amongst the main global financial and economic impacts of the covid19 pandemic.

Communicable diseases are one of the main cause of deaths all around the world and responsible for the 33% of mortality globally. Regardless of main development in the medical industries, the spread of communicable viruses which caused serious diseases is growing highly because of globalization, more ease and need of travelling from one place to another place for different purposes like trade, urbanization, etc. helps the infectious diseases spread quickly on large extend. The current virus spread of corona virus (Covid19) shows the communicable viruses (disease causing) spread quickly and in easy manner because of economies and easily intimidate economic stability of the nation.

Previous communicable virus likes Black Death, SARS, Influenza H2N1, and Swine Flu had made same economic impacts worldwide. Covid19 is more dangerous compared to them as it reached the most of the population worldwide and its capability to sustain on surface made it more challenging to tackle it all around the world. Covid19 is considered more contagious than any other viruses like influenza and swine flus as it has the tendency to transmit between people more easily and rapidly. Another feature is

that the delay of in maintaining proper treatment and making vaccine and their approval as the initial infectious caused high mortality and damage to the economy at world level. The next feature of covid19 is that it kept evolution and resistance of microbes to antibacterial agents, making them able to continue and recure again and again type of threat. The most of the outbreaks of the viruses are recurring in nature and the covid19 is no different, its outbreaks had kept evolving and recurring again and again, as we have seen many wave in the different country. For example : India have seen 3 waves of covid19 and likely to seen 4th wave soon.

LITERATURE REVIEW

The impact of pandemic on the economic have studied on the regular basis., which helps to enhance the direct knowledge of their effects and their uncertainty which is limiting in nature. Research are mostly used for preventive measure to prepare for other communicable diseases., highlighting the importance of this field of economics.

In 1920 the Spanish Flu pandemic have been serving as a staring point in between assessing the effect of communicable disease on the growth and development of the economy. Alex Clay and Savedra showed by a literatural survey which the health impact from the pandemic was large and serious while the economy shrank by the low labour supply shock on older aged workers.

Baro, Ursia and Weng(2019) also showed 45 countries during 1901-1928 to estimate into the microeconomics impact on this pandemic. They find that it lead to about 3% population loss for the average country, a 7% decline in real GDP per capital and an 8% decline in real consumption per capital on a average. howevre, Braineu and Seigler(2003) argued that most peoples death had resulted higher capital accumulation par capital., which then satimulated growth in the economy in the further decade- the effect of a V shaped recovery.

Objective of Research Report on COVID-19 impact on Global Economy

The main objective of this making this report to drag the attention of big pharma companies to learn a lesson from covid-19, which taught us that we should be prepared for the new variant of viruses which occurred before. So that we can against it when it appeared in the future. Pharm companies should not think for capitalist profit only, their should be responsible and work for research and development for the vaccine of every existing virus instead of waiting for virus to be severe and pandemic for the world.

This report will also help the world's investors to learn and prepare to tackle the problems in the operation of global trades and economics occurred during pandemic.

Methodology

The covidvirus-19 had manifested itself in the economy in the different ways, where both the side supply and the demand factors were impacted negatively. 1st, supply side effect is showed by declination in the supply of labour, as there is permanent loss of people through death by covid19 disease causing virus and disruption by the medical treatment and baby care. later, school were closed and online schooling/classes have lead to decline in human capital formation in the future, where the effect can be permanent to the economy. A declined in saving because of low income can lead to less capital accumulation and effect productivity, effecting the long run growth rate.

Result Analysis

The effect of covid19 pandemic on the economics can be divided into short term effect and long term effect. The negative shocks impact world's supply and demand as well as the level of global trade. This action is not only limited to today's global economic but also those into the future. Thus, the short term effect existing to the level of income and gradient growth.

CONCLUSION

This report has analyzed the impact of covid-19 on the global economy by the CGE method. Because of the 2nd wave and delay in the economic recovery, fixed shocks at accumulation capital and it could occur productivity. It applies which the shock can not be a short term rate of growth declines but in other an real change in the path of growth of the economy. Study data suggest that a 2nd wave of the virus required to be prevented, and government needs to take proper action for controlling this disease causing virus and global cooperation and coordination is also highly required.

The effect of covid19 is not limited present level GDP is will harm the future GDP as well which is associated with the reduction in the GDP rate of growth. In the short run, it is highly required to aid the high precarious less-salary workers, who are normally the most profitable for the economic downturns: the effects of the covid19 pandemic is similar to the high severe recessions.

Therefore, because of the negative effect on the growth gradient, long run economic policies is needed to uplift growth in the post covid19 era, needing institutions for the proper reforms in the regulation of labour and taxes of corporate to promote suitable environment for the investors to invest. Expanded period of time for low growth should be protected and the consumers confidences and services/trade should be boosted.

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